

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: BEXP, JA

SUBJECT: TRADE FACILITATION COMMITTEE: COMPLAINT BY
ALLEGHENY LUDLUM INDUSTRIES ABOUT POSSIBLE ADMINISTRATIVE
GUIDANCE

1. ALLEGHENY LUDLUM INDUSTRIES, INC., OF PITTSBURGH, PA.,
HAS ASKED COMMERCE TO SUBMIT FOR TFC ACTION A CASE INVOLV-
ING POSSIBLE JAPANESE GOVERNMENT 'ADMINISTRATIVE GUIDANCE'
TO BUY FROM JAPANESE RATHER THAN FOREIGN SUPPLIERS OF
TITANIUM TUBING AND/OR TITANIUM STRIP (SKELP). KEY FACTS
AND OPINIONS, AS PROVIDED BY ALLEGHENY LUDLUM, ARE AS
FOLLOWS:

A. SAUDI ARABIAN GOVERNMENT LET ARCHITECTURE AND
ENGINEERING CONTRACT FOR AL JOBAIL DESALINATION PLANT TO
SANDERS AND PORTER OF NEW YORK, WHICH GAVE FABRICATION CON-
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TRACT TO SASAKURA, LTD., TOKYO. SASAKURA INVITED BIDS FOR
THE 18 MILLION FEET (THREE MILLION POUNDS) OF TITANIUM TUB-
ING REQUIRED FOR THE PROJECT.

B. TIMET DIVISION OF TITANIUM CORPORATION OF AMERICA,
AN AFFILIATE OF ALLEGHENY LUDLUM SUBMITTED A BID TO

SASAKURA, BUT THE CONTRACT WAS AWARDED TO TWO JAPANESE FIRMS -- KOBE STEEL AND SUMITOMO LIGHT METALS.

C. WHILE KOPE STEEL IS EXPECTED TO OBTAIN THE REQUIRED TITANIUM STRIP (SKELP) FROM AN AFFILIATE COMPANY, SUMITOMO LIGHT METALS WILL HAVE TO ACQUIRE ITS SKELP FROM INDEPENDENT SUPPLIER(S).

D. TIMET OFFERED MARCH 23 TO SUPPLY SKELP TO SUMITOMO LIGHT METALS AT PRICE WHICH TIMET ASSERTS IS LOWER THAN JAPANESE SUPPLIER COULD OFFER WITHOUT FOREGOING ALL OR NEARLY ALL PROFIT. SUMITOMO HAS NOT RESPONDED TO TIMET OFFER.

E. ACCORDING TO ALLEGHENY LUDLUM, SMALL SIZE OF POTENTIAL JAPANESE SUPPLIERS OF SKELP AS COMPARED TO TIMET MAKES IT VIRTUALLY CERTAIN THAT THEIR COSTS OF PRODUCTION ARE SUBSTANTIALLY GREATER THAN TIMET'S.

F. ACCORDING TO ALLEGHENY LUDLUM, LOGICAL INFERENCE FROM (D) AND (E) ABOVE IS THAT SUMITOMO LIGHT METAL'S FAILURE TO RESPOND TO TIMET'S BID IS TRACEABLE TO THE JAPANESE GOVERNMENT'S POLICY TRANSMITTED AS "ADMINISTRATIVE GUIDANCE" TO THE EFFECT THAT JAPANESE PRIVATE REQUIREMENTS FOR PROCESSED TITANIUM BE MET FROM JAPANESE RATHER THAN FOREIGN SOURCES.
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2. REQUEST THAT EMBASSY BRING CONCERNS EXPRESSED IN PARA.

1 TO GOJ ATTENTION AS TFC CASE OR THROUGH OTHER CHANNELS, AS EMBASSY CONSIDERS APPROPRIATE. PLEASE ADVISE. VANCE

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